

OAK PARK SCHOOL DISTRICT
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2005

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Oak Park School District
Oak Park, Michigan

November 14, 2005

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oak Park School District, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Oak Park School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Oak Park School District as of June 30, 2005 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2005, on our consideration of Oak Park School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Education
Oak Park School District
Oak Park, Michigan

November 14, 2005

The management's discussion and analysis and budgetary comparison information on pages vi through xii and 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oak Park School District's basic financial statements. The additional information on pages 27 to 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mama, Costenaro & Ellis, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

During the 2004-05 fiscal year, the District continued to present Governmental Accounting Standards Board (GASB) Statement #34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments. This section of the Oak Park School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2005.

FINANCIAL HIGHLIGHTS

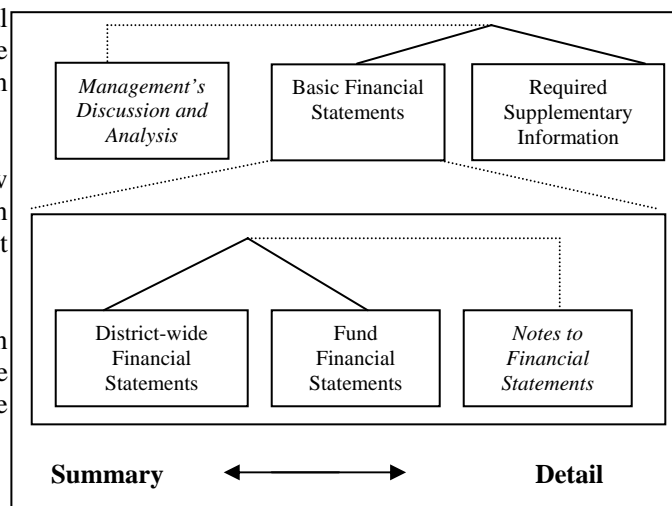
- Revenues slightly decreased to \$44.5 million. Expenditures decreased 4.0 percent to \$46.9 million.
- General Fund revenues were \$39.6 million, \$2.8 million less than General Fund expenditures and transfers.
- State Aid Foundation Allowance remained unchanged at \$7,719 per student.
- The District's fall student count decreased from 4,137 students to 3,787 students, a decrease of 350 students from last year.
- The total taxable value of property in the District increased 4.78 percent. The three-year average for taxable value increases remains strong at 3.69 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

Figure A-1
Organization of the Oak Park School
District Annual Financial Report



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 Major Features of District-Wide and Fund Financial Statements			
Scope	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Oak Park Public School's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarized the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities:

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch and athletics).

The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets (deficit) – The District's *combined* net income for the year was \$252,319. The combined net income was less on June 30, 2005, than the year before, decreasing from \$1.5 million to \$252,319.

Table A-3		
	2005	2004
Current and other assets	\$ 9,366,907	\$ 11,061,406
Capital assets, net of depreciation	11,799,161	11,305,526
Total assets	21,166,068	22,366,932
Current liabilities	6,481,113	5,999,180
Long-term debt outstanding	8,254,788	10,189,904
Total liabilities	14,735,901	16,189,084
Net assets:		
Invested in capital assets, net of related debt	2,198,375	575,873
Restricted	1,388,469	509,749
Unrestricted	2,843,323	5,092,226
Total net assets	\$ 6,430,167	\$ 6,177,848

Table A-4		
	2005	2004
Revenues:		
Program revenues:		
Charges for services	\$ 743,582	\$ 359,043
Federal and state categorical grants	10,477,594	9,812,227
General revenues:		
Property taxes	9,042,096	8,931,672
State aid - unrestricted	22,623,181	24,711,152
Other	1,575,263	999,738
Total revenues	44,461,716	44,813,832
Expenses:		
Instruction	26,242,291	25,283,349
Support services	14,849,619	15,180,830
Community services	446,299	1,219,998
Food services	1,308,218	344,880
Athletics	356,396	98,151
Interest on long-term debt	274,642	431,845
Unallocated depreciation	731,932	686,935
Total expenses	44,209,397	43,245,988
Increase in net assets	\$ 252,319	\$ 1,567,844

District Governmental Activities

The District seeks a balance between maximizing resources for the education of our students and maintaining the long-term financial health of the District. The governmental activities mirror that goal. Our support services seek to be efficient at providing the necessary safe, orderly, and positive learning environment so that more dollars are available for the direct instruction of students. Our before-and-after-care program, Kids Connection, and our school breakfast and lunch program seek to be self-supporting and cost effective.

- The state per pupil foundation allowance remained unchanged at \$7,719.
- Food Service operated at a deficit of \$267,567 on revenues of \$1,040,651.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported *combined* fund balances of \$5.0 million.

The General Fund's fund balance decreased \$3.0 million to \$3.4 million.

General Fund Budgetary Highlights

The District is required to adopt an operating budget prior to the start of the fiscal year. Certain information is not known at the time of budget adoption, such as the amount of state aid, the actual number of students and the cost of employee contracts, and must be estimated or projected. Over the course of the budget year, the District revises the annual operating budget several times. For fiscal year 2004-05, these budget amendments included:

- Changes adopted in the third and fourth quarters of the fiscal year to account for final enrollment counts, changes in assumptions since the original budget was adopted.

The District historically used a budgetary concept called budget variance. Original budget was adopted with the assumption that a favorable budget variance would exist at year-end. Budget adjustments made in February and June of 2005 were constructed to more closely match actual versus budgeted revenues and expenditures. Actual budget variance at year-end June 30, 2005 was 3.8 percent of total budgeted expenses.

While the District's final budget for the general fund, net of the unfavorable budget variance, anticipated that expenses would exceed revenues by \$1.7 million, the actual results for the year show a \$2.9 million deficit or a variance of \$1,155,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2005, the District had invested almost \$11.8 million in a broad range of capital assets, including school buildings, athletic and support facilities, computer and transportation equipment. This amount represents a net increase of \$493,634 from last year. (More detailed information about capital assets can be found in Note 5 to the financial statements.) Total depreciation expense for the year exceeded \$731,932.

Table A-5		
	2005	2004
Land	\$ 341,499	\$ 341,499
Buildings and additions	16,267,330	15,680,153
Site improvements	886,065	886,065
Transportation equipment	1,246,763	1,246,763
Furniture and equipment	2,680,480	2,042,091
Subtotal	21,422,137	20,196,571
Accumulated depreciation	9,622,976	8,891,044
Total	<u>\$ 11,799,161</u>	<u>\$ 11,305,527</u>

Long-term Debt

At year-end the District had \$10.4 million in general obligation bonds and other long-term debt outstanding – a net decrease of 13 percent from last year. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

- The District continued to pay down its debt, retiring \$1.8 million of outstanding bonds.
- The District leased copiers in the amount of \$633,073.

Table A-6		
	2005	2004
General obligation debts (financed with property taxes)	\$ 7,860,000	\$ 9,700,000
Limited obligation bonds	876,083	876,083
Compensated absences	1,050,804	1,453,821
Capital leases	623,564	
Total	<u>\$ 10,410,451</u>	<u>\$ 12,029,904</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of two existing circumstances that could significantly affect its financial health in the future:

- Student enrollment projections continue to be a concern for the District. Negative variances in the actual fall student counts could cause the District to have make a downward adjustment to current revenue projections.
- Uncertain economic times for the State of Michigan could cause the State to reduce the Governor's proposed increase in the foundation allowance of \$175 per student. This is the amount that we used to prepare the 2005-06 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Administrative Offices, Oak Park School District, 13900 Granzon, Oak Park, Michigan 48237.

**OAK PARK SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005**

	Governmental activities
<hr/>	
ASSETS	
CURRENT ASSETS:	
Cash and investments (including restricted cash of \$1,624,975)	\$ 3,306,128
Receivables:	
Accounts receivable	253,247
Other governmental units	5,667,566
Inventories	11,508
Prepaid expenditures	128,458
	<hr/>
TOTAL CURRENT ASSETS	9,366,907
	<hr/>
NONCURRENT ASSETS:	
Capital assets	21,422,137
Less accumulated depreciation	(9,622,976)
	<hr/>
TOTAL NONCURRENT ASSETS	11,799,161
	<hr/>
TOTAL ASSETS	\$ 21,166,068
	<hr/>
<hr/>	
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 1,130,613
Accrued interest	153,096
Accrued salaries and related items	2,628,371
Deferred revenue	380,164
Due to student groups	33,206
Current portion of long-term obligations	2,068,096
Current portion of compensated absences	87,567
	<hr/>
TOTAL CURRENT LIABILITIES	6,481,113
	<hr/>
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	7,291,551
Noncurrent portion compensated absences	963,237
	<hr/>
TOTAL NONCURRENT LIABILITIES	8,254,788
	<hr/>
TOTAL LIABILITIES	14,735,901
	<hr/>
NET ASSETS:	
Invested in capital assets, net of related debt	2,198,375
Restricted for debt service	6,633
Restricted - capital projects (sinking fund)	1,381,836
Unrestricted	2,843,323
	<hr/>
TOTAL NET ASSETS	6,430,167
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 21,166,068
	<hr/>

See notes to financial statements.

**OAK PARK SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 26,242,291	\$	\$ 8,342,100	\$ (17,900,191)
Support services	14,849,619		1,412,211	(13,437,408)
Community services	446,299	413,067		(33,232)
Food services	1,308,218	315,984	723,283	(268,951)
Athletics	356,396	14,531		(341,865)
Interest on long-term debt	274,642			(274,642)
Unallocated depreciation	731,932			(731,932)
Total governmental activities	<u>\$ 44,209,397</u>	<u>\$ 743,582</u>	<u>\$ 10,477,594</u>	<u>(32,988,221)</u>
General revenues:				
Property taxes, levied for general purposes				5,316,416
Property taxes, levied for debt service				2,173,880
Property taxes, levied for sinking fund				1,551,800
Investment earnings				94,631
State sources				22,623,181
Other				<u>1,480,632</u>
Total general revenues				<u>33,240,540</u>
CHANGE IN NET ASSETS				252,319
NET ASSETS (DEFICIT), beginning of year				<u>6,177,848</u>
NET ASSETS (DEFICIT), end of year				<u>\$ 6,430,167</u>

See notes to financial statements.

OAK PARK SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General fund	Sinking fund	Other nonmajor governmental funds	Total governmental funds
ASSETS				
ASSETS:				
Cash and investments	\$ 1,176,937	\$ 1,383,836	\$ 745,355	\$ 3,306,128
Receivables:				
Accounts receivable	253,247			253,247
Other governmental units	5,667,566			5,667,566
Due from other funds	553,882			553,882
Inventories			11,508	11,508
Prepaid expenditures	128,458			128,458
TOTAL ASSETS	\$ 7,780,090	\$ 1,383,836	\$ 756,863	\$ 9,920,789

LIABILITIES AND FUND BALANCES

LIABILITIES:				
Accounts payable	\$ 969,730	\$	\$ 160,883	\$ 1,130,613
Accrued salaries and related items	2,628,371			2,628,371
Deferred revenue	380,164			380,164
Due to other funds	115,567	2,000	436,315	553,882
Due to student groups	33,206			33,206
TOTAL LIABILITIES	4,127,038	2,000	597,198	4,726,236

	General fund	Sinking fund	Other nonmajor governmental funds	Total governmental funds
FUND BALANCES:				
Reserved for debt service	\$	\$	\$ 159,729	\$ 159,729
Reserved for prepaid expenditures	128,458			128,458
Designated for subsequent year's expenditures	367,155	1,381,836	462,022	2,211,013
Undesignated, unreserved	3,157,439		(462,086)	2,695,353
TOTAL FUND BALANCES	3,653,052	1,381,836	159,665	5,194,553
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,780,090	\$ 1,383,836	\$ 756,863	\$ 9,920,789

TOTAL GOVERNMENTAL FUND BALANCES	\$ 5,194,553
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Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
The cost of the capital assets is	\$ 21,422,137
Accumulated depreciation is	(9,622,976)
	11,799,161
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(8,736,083)
Capital lease payable	(623,564)
Compensated absences	(1,050,804)
Accrued interest is not included as a liability in government funds, it is recorded when paid	(153,096)
Net assets (deficit) of governmental activities	\$ 6,430,167

OAK PARK SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General fund	Sinking fund	Other nonmajor governmental funds	Total governmental funds
REVENUES:				
Local sources:				
Property taxes	\$ 5,316,416	\$ 1,551,800	\$ 2,173,880	\$ 9,042,096
Community services and tuition	413,067			413,067
Investment income	66,735	15,299	12,597	94,631
Other	1,480,632		330,515	1,811,147
Total local sources	7,276,850	1,567,099	2,516,992	11,360,941
State sources	26,065,976		78,388	26,144,364
Federal sources	3,618,261		644,895	4,263,156
Intermediate sources	2,693,255			2,693,255
Total revenues	39,654,342	1,567,099	3,240,275	44,461,716
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	17,545,618			17,545,618
Added needs	7,934,803			7,934,803
Adult and community education	1,084,284			1,084,284
Total instruction	26,564,705			26,564,705
Support services:				
Pupil	1,841,110			1,841,110
Instructional staff	2,922,803			2,922,803
General administration	812,893			812,893
School administration	1,739,488			1,739,488
Operations and maintenance	4,441,879			4,441,879
Pupil transportation services	1,561,008			1,561,008
Central	215,659			215,659
Business	1,395,382			1,395,382
Total support services	14,930,222			14,930,222
EXPENDITURES (Concluded):				
Current (Concluded):				
Athletics	\$		\$ 356,396	\$ 356,396
Community services	446,299			446,299
Food service			1,308,218	1,308,218
Capital outlay	860,331	365,235		1,225,566
Debt service:				
Principal retirement	9,509		1,840,000	1,849,509
Interest and fiscal charges	2,196		272,920	275,116
Total expenditures	42,813,262	365,235	3,777,534	46,956,031
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(3,158,920)	1,201,864	(537,259)	(2,494,315)
OTHER FINANCING SOURCES (USES):				
Proceeds from capital lease	633,073			633,073
Operating transfers in			359,481	359,481
Operating transfers out	(359,481)			(359,481)
Total other financing sources (uses)	273,592		359,481	633,073
NET CHANGE IN FUND BALANCES				
	(2,885,328)	1,201,864	(177,778)	(1,861,242)
FUND BALANCES:				
Beginning of year	6,538,380	179,972	337,443	7,055,795
End of year	\$ 3,653,052	\$ 1,381,836	\$ 159,665	\$ 5,194,553

**OAK PARK SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

Net change in fund balances total governmental funds	\$ (1,861,242)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities.

These costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(731,932)
Capital outlay	1,225,566

Accrued interest on bonds is recorded in the statement of activities

when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	153,570
Accrued interest payable, end of the year	(153,096)

Proceeds and repayments of principal on long-term debt are other financing

sources and expenditures in the governmental funds, but not in the statement of activities

(where they are additions and reductions of liabilities)

Repayment of principal on long-term debt	1,849,509
Proceed from capital lease	(633,073)

Compensated absences are reported on the accrual method in the statement of activities,

and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences and severance benefits, beginning of the year	1,453,821
Accrued compensated absences and severance benefits, end of the year	(1,050,804)

Change in net assets of governmental activities	\$ 252,319
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**OAK PARK SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2005**

	<u>Agency</u>
ASSETS	
Cash	\$ 45,471
Due from other funds	<u>33,206</u>
	<u>\$ 78,677</u>
LIABILITIES	
Due to student groups	\$ 78,242
Accounts payable	<u>435</u>
	<u>\$ 78,677</u>

OAK PARK PUBLIC SCHOOL NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Oak Park School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Oak Park School District (the "District") is governed by the Oak Park Public School's Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14 and 39.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, property taxes, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

**OAK PARK PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Continued)

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenue.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *capital projects sinking fund* accounts for the receipt of sinking fund millage proceeds and the acquisition of fixed assets or construction of capital projects. The District has complied with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95 relating to sinking funds.

**OAK PARK PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Concluded)

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The food service fund and athletic fund included in the special revenue funds, have fund deficits of \$416,770 and \$45,316, respectively. Ultimately, these deficiencies are the responsibility of the general fund.

The *debt service funds* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects* fund accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The Durant capital projects fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**OAK PARK PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2005, the foundation allowance was based on pupil membership counts taken in February and September of 2004.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2004 to August 2005. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

**OAK PARK PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds which are not expended by the close of the fiscal year are recorded as deferred revenue.

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

**OAK PARK PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

2. Property Taxes (Concluded)

For the year ended June 30, 2005, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General Fund - Non-homestead	18.0000
Debt service fund-Homestead and non-homestead	4.0800
Sinking fund-Homestead and non-homestead	2.9197

3. Inventories and Prepaid Expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

**OAK PARK PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

5. Capital Assets (Concluded)

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and building improvements	20-53 years
Buses and other vehicles	2-17 years
Furniture and other equipment	5-20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated Absences

The District's contracts generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method, which approximates the effective interest method, over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**OAK PARK PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Annual appropriations lapse at year end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, for the general fund are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2005. The District does not consider these amendments to be significant.

**OAK PARK PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS - CREDIT RISK

As of June 30, 2005, the District had the following investments

Investment Type	Fair value	Weighted average maturity (years)	Standard & Poor's Rating	%
MILAF External Investment pool-MICMS	\$ 743,138	0.0027	AAAm	31.3%
MILAF External Investment pool-MIMAX	1,632,044	0.0027	AAAm	68.7%
Total fair value	<u>\$ 2,375,182</u>			<u>100.0%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2005, the fair value of the District's investments is the same as the value of the pool shares.

Interest rate risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments to bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The District has no investment policy that would further limits its choices.

Concentration of credit risk. The District places no limit on the amount the District may invest in any one issuer.

**OAK PARK PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS - CREDIT RISK (Continued)

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2005, \$1,483,000 of the District's bank balance of \$1,683,000 was exposed to custodial credit risk because it was uninsured and collateralized. Included in the above figures are bank money market deposits of \$1,328,958.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$45,471	\$ 976,417
Investments	<u>2,375,182</u>
	<u><u>\$ 3,351,599</u></u>

The above amounts are reported in the financial statements as follows:

Cash agency fund	\$ 45,471
Cash and investments - district wide	<u>3,306,128</u>
	<u><u>\$ 3,351,599</u></u>

**OAK PARK PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS - CREDIT RISK (Concluded)

Included in cash above is restricted cash of:

1999 Durant debt service fund	\$ 241,139
Sinking fund	<u>1,383,836</u>
	<u><u>\$ 1,624,975</u></u>

NOTE 4 - RECEIVABLES

Receivables at June 30, 2005 consist of the following:

	<u>Government wide</u>
State aid	\$ 4,733,623
Federal revenue	415,327
Oakland County	278,627
Intermediate sources	<u>239,989</u>
	<u><u>\$ 5,667,566</u></u>

No allowance for doubtful accounts is considered necessary based on previous experience.

**OAK PARK PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Assets not being depreciated:				
Land	\$ 341,499	\$ -	\$ -	\$ 341,499
Other capital assets:				
Buildings and additions	15,680,153	587,177		16,267,330
Site improvements	886,065			886,065
Transportation equipment	1,246,763			1,246,763
Furniture and equipment	2,042,091	638,389		2,680,480
Subtotal	19,855,072	1,225,566	-	21,080,638
Accumulated depreciation:				
Buildings and additions	6,415,090	376,173		6,791,263
Site improvements	222,580	35,443		258,023
Transportation equipment	759,084	111,540		870,624
Furniture and equipment	1,494,290	208,776		1,703,066
Total accumulated depreciation	8,891,044	731,932	-	9,622,976
Net capital assets being depreciated	10,964,028	493,634	-	11,457,662
Net governmental capital assets	\$ 11,305,527	\$ 493,634	\$ -	\$ 11,799,161

Depreciation for the fiscal year ended June 30, 2005 amounted to \$731,932. The District allocated depreciation to the various activities as follows:

Unallocated	<u>\$ 731,932</u>
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Unallocated depreciation represents the assets that serve multiple functions and thus it would be impractical to allocate the depreciation.

**OAK PARK PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LINE OF CREDIT

The District has available a \$500,000 line of credit with a local bank. During the year no amounts were borrowed under the agreements. Subsequent to year-end, the amount available was increased to \$1,500,000. The line of credit has interest at the bank's prime rate.

NOTE 7 - LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of long term obligations for the District for the year ended June 30, 2005:

	General obligation bonds	Limited obligation bonds	Capital lease	Compensated absences	Total
Balance, July 1, 2004	\$ 9,700,000	\$ 876,083	\$	\$ 1,453,821	\$ 12,029,904
Additions			633,073		633,073
Deletions	(1,840,000)		(9,509)	(403,017)	(2,252,526)
Balance, June 30, 2005	7,860,000	876,083	623,564	1,050,804	10,410,451
Less current portion	(1,885,000)	(66,376)	(116,720)	(87,567)	(2,155,663)
Total due after one year	<u>\$ 5,975,000</u>	<u>\$ 809,707</u>	<u>\$ 506,844</u>	<u>\$ 963,237</u>	<u>\$ 8,254,788</u>

**OAK PARK PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (Continued)

Bonds payable at June 30, 2005 is comprised of the following issues:

2003 refunding serial bonds due in annual installments of \$1,375,000 to \$1,555,000 through May 1, 2009 with interest from 2.50% to 3.00%	\$ 5,800,000
2004 refunding serial bonds due in annual installments of \$495,000 to \$545,000 through May 1, 2009 with interest from 2.00% to 2.75%	2,060,000
1998 limited obligation bonds (Durant bonds) due in annual installments of \$66,376 to \$320,511 through May 15, 2013, with interest at 4.76%. Certain state aid payments have been pledged as security.	<u>876,083</u>
Total bonded debt	8,736,083
Capital lease - May 2005 28 copiers. At the end of the lease agreement, the District will own the copiers. Monthly installments of \$11,706 through May 18, 2010, including interest at 4.16%.	<u>623,564</u>
	9,359,647
Compensated absences	<u>1,050,804</u>
Total general long-term debt	<u><u>\$ 10,410,451</u></u>

The annual requirements to amortize long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2005, including interest of \$909,595 are as follows:

Year ending June 30,	Principal	Interest	Total
2006	\$ 2,068,096	\$ 282,106	\$ 2,350,202
2007	2,121,193	229,418	2,350,611
2008	2,442,346	265,115	2,707,461
2009	2,258,534	88,495	2,347,029
2010	206,069	18,989	225,058
2011-2013	<u>263,409</u>	<u>25,472</u>	<u>288,881</u>
	<u><u>\$ 9,359,647</u></u>	<u><u>\$ 909,595</u></u>	<u><u>\$ 10,269,242</u></u>

**OAK PARK PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (Concluded):

The Durant bonds, including interest, was issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

Interest expense (all funds) for the year ended June 30, 2005 was \$275,116.

In prior years, the District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2005, approximately \$13,000,000 of bonds outstanding are considered defeased.

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2005 are as follows:

Receivable Fund		Payable Fund	
General	\$ 553,882	Athletics	\$ 45,316
		General	115,567
		Food service	272,014
		Sinking fund	2,000
		Debt service-2003 refunding	16,779
		Debt service-2004 refunding	102,206
	<u>\$ 553,882</u>		<u>\$ 553,882</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**OAK PARK PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2005 was 12.99% through September 2004 and 14.87% for October 1, 2004 through June 30, 2005. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2005, 2004 and 2003 were \$3,463,419, \$3,975,609 and \$3,556,498, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other Post-employment Benefits

Under the MPERS Act, all retirees have the option of continuing health, dental and vision coverage.

**OAK PARK PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2005 or any of the prior three years.

NOTE 11 - TRANSFERS

The general fund transferred \$359,481 to the athletic fund during the current fiscal year. The transfer to the athletic fund was to subsidize operations.

REQUIRED SUPPLEMENTARY INFORMATION

OAK PARK SCHOOL DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2005

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
REVENUES:				
Local	\$ 6,763,191	\$ 6,767,480	\$ 7,276,850	\$ 509,370
State sources	27,341,310	26,015,090	26,065,976	50,886
Federal sources	3,517,833	4,917,720	3,618,261	(1,299,459)
Intermediate sources	2,094,303	2,094,303	2,693,255	598,952
Total revenues	39,716,637	39,794,593	39,654,342	(140,251)
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	16,462,531	17,454,759	17,545,618	(90,859)
Added needs	10,268,528	8,249,621	7,934,803	314,818
Adult and community education			1,084,284	(1,084,284)
Total instruction	26,731,059	25,704,380	26,564,705	(860,325)
Support services:				
Pupil	1,555,613	1,869,460	1,841,110	28,350
Instructional staff	3,210,256	3,112,698	2,922,803	189,895
General administration	742,197	888,637	812,893	75,744
School administration	1,719,470	1,761,888	1,739,488	22,400
Operations and maintenance	4,362,225	5,154,564	4,441,879	712,685
Pupil transportation services	1,062,653	1,320,668	1,561,008	(240,340)
Central	858,407	233,579	215,659	17,920
Business	1,071,569	712,388	1,395,382	(682,994)
Total support services	14,582,390	15,053,882	14,930,222	123,660
EXPENDITURES (Concluded):				
Current (Concluded):				
Community services	\$ 228,574	\$ 406,812	\$ 446,299	\$ (39,487)
Capital outlay			860,331	(860,331)
Debt service:				
Principal retirement			9,509	(9,509)
Interest and fiscal charges			2,196	(2,196)
Total expenditures	41,542,023	41,165,074	42,813,262	(1,648,188)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(1,825,386)	(1,370,481)	(3,158,920)	(1,788,439)
OTHER FINANCING SOURCES (USES):				
Proceeds from capital lease			633,073	633,073
Operating transfers out	359,481	(359,481)	(359,481)	
Total other financing sources (uses)	359,481	(359,481)	273,592	633,073
NET CHANGE IN FUND BALANCE				
	<u>\$ (1,465,905)</u>	<u>\$ (1,729,962)</u>	(2,885,328)	<u>\$ (1,155,366)</u>
FUND BALANCE:				
Beginning of year			6,538,380	
End of year			<u>\$ 3,653,052</u>	

ADDITIONAL INFORMATION

**OAK PARK SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2005**

	<u>Special revenue</u>		<u>Debt service</u>		<u>Capital projects</u>		<u>Total nonmajor governmental funds</u>
	<u>Food service fund</u>	<u>Athletics fund</u>	<u>2003 refunding</u>	<u>2004 refunding</u>	<u>Capital projects</u>	<u>1999 Durant bond</u>	
ASSETS							
ASSETS:							
Cash and cash equivalents	\$ 4,619	\$	\$ 134,186	\$ 144,528	\$ 220,883	\$ 241,139	\$ 745,355
Inventories	11,508						11,508
TOTAL ASSETS	<u>\$ 16,127</u>	<u>\$</u>	<u>\$ 134,186</u>	<u>\$ 144,528</u>	<u>\$ 220,883</u>	<u>\$ 241,139</u>	<u>\$ 756,863</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accounts payable	\$ 160,883	\$	\$	\$	\$	\$	\$ 160,883
Due to other funds	272,014	45,316	16,779	102,206			436,315
TOTAL LIABILITIES	<u>432,897</u>	<u>45,316</u>	<u>16,779</u>	<u>102,206</u>			<u>597,198</u>
FUND BALANCES (DEFICIT):							
Reserved for debt service			117,407	42,322			159,729
Designated for subsequent year's expenditures					220,883	241,139	462,022
Undesignated	(416,770)	(45,316)					(462,086)
TOTAL FUND BALANCES (DEFICIT)	<u>(416,770)</u>	<u>(45,316)</u>	<u>117,407</u>	<u>42,322</u>	<u>220,883</u>	<u>241,139</u>	<u>159,665</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 16,127</u>	<u>\$</u>	<u>\$ 134,186</u>	<u>\$ 144,528</u>	<u>\$ 220,883</u>	<u>\$ 241,139</u>	<u>\$ 756,863</u>

OAK PARK SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2005

	<u>Speical revenue</u>		<u>Debt service</u>		<u>Capital projects</u>		<u>Total nonmajor governmental funds</u>
	Food service fund	Athletics fund	2003 refunding	2004 refunding	Capital projects	1999 Durant bond	
REVENUES:							
Local sources:							
Property taxes	\$	\$	\$ 1,606,019	\$ 567,861	\$	\$	\$ 2,173,880
Investment income	1,384		4,133	1,412	1,081	4,587	12,597
Other	315,984	14,531					330,515
Total local sources	317,368	14,531	1,610,152	569,273	1,081	4,587	2,516,992
State sources	78,388						78,388
Federal sources	644,895						644,895
Total revenues	1,040,651	14,531	1,610,152	569,273	1,081	4,587	3,240,275
EXPENDITURES:							
Current :							
Athletics		356,396					356,396
Food service	1,308,218						1,308,218
Capital outlay							
Debt service:							
Principal retirement			1,340,000	500,000			1,840,000
Interest and fiscal charges			208,025	64,895			272,920
Total expenditures	1,308,218	356,396	1,548,025	564,895			3,777,534
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(267,567)	(341,865)	62,127	4,378	1,081	4,587	(537,259)
OTHER FINANCING SOURCES:							
Operating transfers in		359,481					359,481
NET CHANGE IN FUND BALANCES	(267,567)	17,616	62,127	4,378	1,081	4,587	(177,778)
FUND BALANCES:							
Beginning of year	(149,203)	(62,932)	55,280	37,944	219,802	236,552	337,443
End of year	\$ (416,770)	\$ (45,316)	\$ 117,407	\$ 42,322	\$ 220,883	\$ 241,139	\$ 159,665

OAK PARK SCHOOL DISTRICT
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 2003 REFUNDING
YEAR ENDED JUNE 30, 2005

\$8,410,000 Bonds issued March 7, 2003 for refinancing 1992 debt

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 1,375,000	\$ 90,488	\$ 90,488	2006	\$ 1,555,976
1,385,000	73,300	73,300	2007	1,531,600
1,485,000	75,600	75,600	2008	1,636,200
1,555,000	23,325	23,325	2009	1,601,650
<u>\$ 5,800,000</u>	<u>\$ 262,713</u>	<u>\$ 262,713</u>		<u>\$ 6,325,426</u>

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 2004 REFUNDING
YEAR ENDED JUNE 30, 2005**

\$2,560,000 Bonds issued March 16, 2004 for refinancing 1994 debt

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 510,000	\$ 23,731	\$ 23,731	2006	\$ 557,462
545,000	18,631	18,631	2007	582,262
510,000	13,181	13,181	2008	536,362
495,000	6,806	6,806	2009	508,612
<u>\$ 2,060,000</u>	<u>\$ 62,349</u>	<u>\$ 62,349</u>		<u>\$ 2,184,698</u>

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 1998 DEBT
1998 SCHOOL IMPROVEMENT BONDS (DURANT)
YEAR ENDED JUNE 30, 2005**

<u>Year ending June 30,</u>	<u>Interest rate</u>	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total</u>
2006	4.76%	\$ 66,376	\$ 29,921	\$ 96,297
2007	4.76%	69,521	26,761	96,282
2008	4.76%	320,511	133,920	454,431
2009	4.76%	76,318	19,982	96,300
2010	4.76%	79,948	16,349	96,297
2011	4.76%	83,756	12,542	96,298
2012	4.76%	87,739	8,554	96,293
2013	4.76%	91,914	4,376	96,290
		<u>\$ 876,083</u>	<u>\$ 252,405</u>	<u>\$ 1,128,488</u>

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorized the payment of the State Aid Payments directly to the Authority's Depository.

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF CAPITALIZED LEASES
YEAR ENDED JUNE 30, 2005**

\$633,073 capitalized leases dated May 18, 2005 for copiers (28) due in monthly installments of \$11,706 including interest at 4.16%.

Principal due Monthly	Interest due Monthly	June 30,	Amount
\$ 116,720	\$ 23,746	2006	\$ 140,466
121,672	18,794	2007	140,466
126,835	13,632	2008	140,467
132,216	8,250	2009	140,466
126,121	2,640	2010	128,761
<u>\$ 623,564</u>	<u>\$ 67,062</u>		<u>\$ 690,626</u>

OAK PARK SCHOOL DISTRICT
ADDITIONAL REPORTS REQUIRED BY
OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2005

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Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Oak Park School District
Oak Park, Michigan

November 14, 2005

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oak Park School District as of and for the year ended June 30, 2005, which collectively comprise the Oak Park School District's basic financial statements and have issued our report thereon dated November 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oak Park School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Oak Park School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-01, 2005-02 and 2005-03.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions, items 2005-01 and 2005-02, described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oak Park School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters that we reported to management of Oak Park School District in a separate letter dated November 14, 2005.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

A handwritten signature in black ink that reads "Mamey, Costeusan & Ellis, P.C." The signature is written in a cursive, flowing style.

Certified Public Accountants



Lamonte T. Lator
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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Oak Park School District
Oak Park, Michigan

November 14, 2005

Compliance

We have audited the compliance of Oak Park School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2005. Oak Park School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Oak Park School District's management. Our responsibility is to express an opinion on Oak Park School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oak Park School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Oak Park School District's compliance with those requirements.

In our opinion, Oak Park School District complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2005-04.

Internal Control Over Compliance

The management of Oak Park School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Oak Park School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oak Park School District as of and for the year ended June 30, 2005, and have issued our report thereon dated November 14, 2005. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Oak Park School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Mammy Costenisan & Ellis, P.C.

Certified Public Accountants

OAK PARK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through project number	Program or award amount	Accrued (deferred) revenue July 1, 2004	(Memo only) prior year expenditures	Current year expenditures	Adjustments prior years	Current year cash/ payments in kind received	Accrued (deferred) revenue June 30, 2005
<u>U.S. DEPARTMENT OF AGRICULTURE</u>									
Passed Through the Michigan Department of Education:									
Food Distribution:	10.550								
Entitlement Commodities			\$ 52,570	\$	\$	\$ 24,560	\$	\$ 24,560	\$
Bonus Commodities			5,508			5,508		5,508	
Total Food Distribution			58,078			30,068		30,068	
Child Nutrition Cluster:									
National School Breakfast Program	10.553	041970	12,548			12,548		12,548	
National School Breakfast Program		051970	109,468			109,468		109,468	
			122,016			122,016		122,016	
National School Lunch Program - Section 4	10.555	041950	8,308			8,308		8,308	
National School Lunch Program - Section 4		051950	54,244			54,244		54,244	
National School Lunch Program - Section 11		041960	56,040			56,040		56,040	
National School Lunch Program - Section 11		051960	374,218			374,218		374,218	
			492,810			492,810		492,810	
Total Child Nutritioin Cluster			614,826			614,826		614,826	
TOTAL U.S. DEPARTMENT OF AGRICULTURE			672,904			644,894		644,894	

The accompanying notes are an integral part of this schedule.

OAK PARK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through project number	Program or award amount	Accrued (deferred) revenue July 1, 2004	(Memo only) prior year expenditures	Current year expenditures	Adjustments prior years	Current year cash/ payments in kind received	Accrued (deferred) revenue June 30, 2005
<u>U.S. DEPARTMENT OF EDUCATION</u>									
Passed Through Michigan Department of Education:									
Title I	84.010								
Title I - Part A Improving Basic Programs		031530-0304	\$ 254,716	\$ 97,820	\$ 254,716	\$	\$	\$ 97,820	\$
Title I - 2% Schoolwide Planning Grant		041520-0405	12,000			11,550		450	11,100
Title I - Part A Improving Basic Programs		041530-0304	680,537		534,876	145,661		285,016	
Title I - Part A Improving Basic Programs (03-04 c/o)		041530-0405	314,365			301,924		296,059	5,865
Title I - 2% Schoolwide Planning Grant		041550-0405	45,000			39,531		25,712	13,819
Title I - Part A Improving Basic Programs		051530-0405	857,269			585,787		318,102	267,685
Total Title I			2,163,887	97,820	789,592	1,084,453		1,023,159	298,469
Drug Free Schools & Communities	84.186								
Safe & Drug Free Schools		052860-0405	29,228			28,956		28,956	
Title V Innovative Education Grant	84.298								
Title V - Part A Innovative Programming		030250-0304	8,441	8,441				8,441	
Title V - Part A Innovative Programming		040250-0304	11,683		11,039	644		644	
Title V - Part A Innovative Programming		040250-0405	15,930			10,461		5,648	4,813
Title V - Part A Innovative Programming		050250-0405	15,894			1,908		1,908	
Total Title V			51,948	8,441	11,039	13,013		16,641	4,813

The accompanying notes are an integral part of this schedule.

OAK PARK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through project number	Program or award amount	Accrued (deferred) revenue July 1, 2004	(Memo only) prior year expenditures	Current year expenditures	Adjustments prior years	Current year cash/ payments in kind received	Accrued (deferred) revenue June 30, 2005
<u>U.S. DEPARTMENT OF EDUCATION (Continued)</u>									
Passed Through Michigan Department of Education (Continued):									
Technology Literacy Challenge Grants	84.318								
Title II - Part D Ed Tech		044290-0405	\$ 18,017	\$	\$	\$ 16,854	\$	\$ 1,337	\$ 15,517
Reading First State Grants	84.357								
Reading First State Grants		032930-030401	408,750	118,912	289,838			118,912	
Reading First State Grants		052930-030402	308,175			295,808		259,105	36,703
Total Reading First State Grants			716,925	118,912	289,838	295,808		378,017	36,703
English Language Acquisition	84.365								
Title III - Immigrant Students		030570-0304	23,223	3,900	23,223			3,900	
Title III - Limited English		030580-0304	3,056		1,634	1,422		1,422	
Title III - Limited English		040580-0304	6,858			6,858		6,858	
Title III - Limited English		040580-0405	18,326			4,416		3,763	653
Title III - Limited English		050580-0405	27,700			11,542			11,542
Total English Language Acquisition			79,163	3,900	24,857	24,238		15,943	12,195

The accompanying notes are an integral part of this schedule.

OAK PARK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through project number	Program or award amount	Accrued (deferred) revenue July 1, 2004	(Memo only) prior year expenditures	Current year expenditures	Adjustments prior years	Current year cash/ payments in kind received	Accrued (deferred) revenue June 30, 2005
U.S. DEPARTMENT OF EDUCATION (Continued)									
Passed Through Michigan Department of Education (Continued):									
Improving Teacher Quality	84.367								
Title II - Part A Teacher Quality		030520-0304	\$ 14,548	\$ 14,548	\$ 14,548	\$	\$	\$ 14,548	\$
Title II - Part A Teacher Quality		040520-0304	208,289	29,358	177,215	31,074		60,432	
Title II - Part A Teacher Quality		040520-0405	70,635			70,635		70,635	
Title II - Part A Teacher Quality		050520-0405	273,201			210,001		125,668	84,333
Total Improving Teacher Quality			566,673	43,906	191,763	311,710		271,283	84,333
Total Passed Through the Michigan Department of Education			3,625,841	272,979	1,307,089	1,775,032		1,735,336	452,030
Passed Through Oakland County Intermediate School District:									
Special Education Cluster									
Special Education - Grants to States	84.027								
Flow Through (02-03)		030450-0203	368,945	53,730	312,226	42,245		80,205	15,770
Flow Through (03-04)		040450-0304	441,640		212,496	174,435		162,797	11,638
Flow Through (04-05)		050450-0405	526,104			399,567		301,684	97,883
Total Special Education - Grants to States			1,336,689	53,730	524,722	616,247		544,686	125,291

The accompanying notes are an integral part of this schedule.

OAK PARK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through project number	Program or award amount	Accrued (deferred) revenue July 1, 2004	(Memo only) prior year expenditures	Current year expenditures	Adjustments prior years	Current year cash/ payments in kind received	Accrued (deferred) revenue June 30, 2005
<u>U.S. DEPARTMENT OF EDUCATION (Concluded)</u>									
Passed Through Oakland County Intermediate School District (Concluded):									
Special Education - Preschool Grants	84.173								
Preschool Incentive		030460-0203	\$	\$	\$	\$ 4,319	\$	\$ 4,319	\$
Preschool Incentive (03-04)		040460-0304	12,703			5,459		5,459	
Preschool Incentive (04-05)		050460-0405	10,000						
Total Special Education - Preschool Grants			22,703			9,778		9,778	
Total Special Education Cluster			1,359,392	53,730	524,722	626,025		554,464	125,291
Vocational Education - Basic Grants to States	84.048								
Perkins Secondary Regional Allocation		4012-18	10,092	5,378	10,092			5,378	
Perkins Secondary Regional Allocation		053520-501218	15,696			12,315		8,109	4,206
Career Preparation									
Total Vocational Education - Basic Grants to States			25,788	5,378	10,092	12,315		13,487	4,206
Total Passed Through Oakland Intermediate School District			1,385,180	59,108	534,814	638,340		567,951	129,497
TOTAL U.S. DEPARTMENT OF EDUCATION			5,011,021	332,087	1,841,903	2,413,372		2,303,287	581,527

The accompanying notes are an integral part of this schedule.

OAK PARK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through project number	Program or award amount	Accrued (deferred) revenue July 1, 2004	(Memo only) prior year expenditures	Current year expenditures	Adjustments prior years	Current year cash/ payments in kind received	Accrued (deferred) revenue June 30, 2005
<u>U.S. EMPLOYMENT & TRAINING ADMINISTRATION</u>									
Passed Through Oakland County									
Workforce Investment Act Cluster									
Workforce Investment Act - One Stop Delivery (04-05)	17.253		\$ 60,500	\$	\$	\$ 41,767	\$	\$ 37,363	\$ 4,404
Total WIA - One Stop Delivery									
Workforce Investment Act - Adult (03-04)	17.258	adult	150,000	15,550	136,604	4,000		19,677	
Workforce Investment Act - Adult (04-05)			149,705			140,171		126,811	13,360
Total WIA - Adult			299,705	15,550	136,604	144,171		146,488	13,360
Workforce Investment Act - Youth (03-04)	17.259		80,000	5,136	78,991			5,136	
Workforce Investment Act - Youth (04-05)			72,416			67,862		15,872	51,990
Total WIA - Youth			152,416	5,136	78,991	67,862		21,008	51,990
Workforce Investment Act - Dislocated Worker (03-04)	17.260	dislocated worker	199,510	22,957	173,190	49,924		72,881	
Workforce Investment Act - Dislocated Worker (04-05)			199,510			183,162		170,899	12,263
Total WIA - Dislocated Worker			399,020	22,957	173,190	233,086		243,780	12,263
Total Workforce Investment Act Cluster			911,641	43,643	388,785	486,886		448,639	82,017

The accompanying notes are an integral part of this schedule.

OAK PARK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through project number	Program or award amount	Accrued (deferred) revenue July 1, 2004	(Memo only) prior year expenditures	Current year expenditures	Adjustments prior years	Current year cash/ payments in kind received	Accrued (deferred) revenue June 30, 2005
<u>U.S. EMPLOYMENT & TRAINING ADMINISTRATION (Concluded)</u>									
Passed Through Oakland County									
Re-employment Services	17.207								
Re-employment Services (03-04)		re-employment	\$ 21,852	\$ 2,441	\$ 20,478	\$	\$	\$ 2,441	\$
Re-employment Services (04-05)			21,852			21,620		21,620	
Total Re-employment Services			43,704	2,441	20,478	21,620		24,061	
Welfare to Work	17.253								
Welfare to Work - 70% (03-04)			21,251	21,251	21,251				21,251
Welfare to Work - 70% (04-05)			37,690						
Welfare to Work - 30% (03-04)			25,823	25,823	25,823				25,823
Welfare to Work - 30% (04-05)			16,153						
Total Welfare to Work			100,917	47,074	47,074				47,074
TOTAL U.S. EMPLOYMENT & TRAINING ADMINISTRATION			1,056,262	93,158	456,337	508,506		472,700	

The accompanying notes are an integral part of this schedule.

OAK PARK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through project number	Program or award amount	Accrued (deferred) revenue July 1, 2004	(Memo only) prior year expenditures	Current year expenditures	Adjustments prior years	Current year cash/ payments in kind received	Accrued (deferred) revenue June 30, 2005
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>									
Passed through Oakland County									
Work First	93.558								
Work First (03-04)			\$ 355,680	\$ 9,656	\$ 83,243	\$ 28,000	\$	\$ 37,069	\$
Work First (04-05)			513,435			138,189		105,267	32,922
Total Work First			869,115	9,656	83,243	166,189		142,336	
Passed through Michigan Department of Education									
Refugee Children School Impact Grant	93.576								
Refugee Grants		051840-0405	4,539			385		385	
Passed through the Oakland/Livingston Human Services Agency									
Head Start	93.600								
Head Start (03-04)		CDD HS 04-015	374,564	230,086	230,086	144,478		374,564	
Head Start (04-05)		CDD HS 05-017	378,310			245,481		128,867	116,614
Total Head Start			752,874	230,086	230,086	389,959		503,431	116,614
Passed through Oakland Intermediate School District									
Medicaid	93.778								
Transportation			496			496		496	
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,627,024	239,742	313,329	557,029		646,648	116,614
TOTAL FEDERAL AWARDS			\$8,367,211	\$ 664,987	\$ 2,611,569	\$ 4,123,801	\$	\$4,067,529	\$ 698,141

The accompanying notes are an integral part of this schedule.

**OAK PARK SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTES:

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Oak Park School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. The following programs were audited as major programs:
 - Child Nutrition Cluster, CFDA #10.553 and #10.555
 - Title I, CFDA #84.010
 - Special Education Cluster, CFDA #84.027 and #84.173
 - Head Start, CFDA #93.600
3. The threshold for distinguishing Types A and B programs was \$300,000.
4. Management has utilized the Grant Section Auditors' Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards.
5. An adjustment was made to the Title I program CFDA #84.010 to correct prior year expenditure amount. The prior year expenditure amount was too low by \$139,355.
6. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 3,618,261
Other nonmajor governmental funds	644,895
Total per financial statements	<u>4,263,156</u>
Adjustments for prior years	<u>(139,355)</u>
Total expenditures per schedule of expenditures of federal awards	<u><u>\$ 4,123,801</u></u>

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

• Material weakness(es) identified? X Yes No

• Reportable condition(s) identified that are not considered to be material weaknesses? X Yes No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified? Yes X No

• Reportable condition(s) identified that are not considered to be material weakness(es)? Yes X None reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? X Yes No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster
84.010	Title I
84.027 and 84.173	Special Education Cluster
93.600	Head Start

Dollar threshold used to distinguish between type A and Type B programs:

\$300,000

Auditee qualified as a low risk auditee? Yes X No

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Section II - Financial Statement Findings

Reportable Condition 2005-01 - Considered a material weakness

Criteria

Bank reconciliations should be prepared and adjusted to the general ledger in a timely manner.

Condition

During the year, month-end reconciliations were not completed in a timely manner.

Context

Failure to complete bank reconciliations in a timely manner increases the risk that transactions may be posted incorrectly or inappropriately and not be detected in a timely manner.

Effect

Inaccurate financial information may be used for management decisions.

Cause

Staffing levels and priorities did not require this procedure to be completed timely.

Recommendation

Monthly reconciliations should be completed. The reconciliations should be reviewed and compared to the general ledger by an appropriate individual.

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Section II - Financial Statement Findings

Reportable Condition 2005-02 - Considered a material weakness

Criteria

Major balance sheet, revenue and expenditure accounts should be reviewed and adjusted monthly.

Condition

Numerous balance sheet, revenues and expenditure accounts were not reviewed and adjusted monthly.

Context

The accounting records did not reflect accurate information.

Effect

Inaccurate financial information was prepared monthly.

Cause

Failure to review and adjust accounts monthly.

Recommendation

All major balance sheet, revenue and expenditure accounts should be reviewed and adjusted when necessary in a timely manner monthly.

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Section II - Financial Statement Findings

Reportable Condition 2005-03

Criteria

Segregation of duties should exist in the payroll area.

Condition

During the year, one individual could initiate, record, process and review transactions.

Context

From a sample of 40 transactions, no errors were detected.

Effect

Lack of segregation of duties could result in inappropriate modifications to payroll records.

Cause

Inadequate separation of responsibilities.

Recommendation

Separation and review of primary duties should be implemented immediately.

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Section III - Federal Award Findings and Questioned Costs

Noncompliance Finding - 2005-04

Criteria

In accordance with OMB Circular A-87, Attachment B, if an employee is charged solely to one federal program, Oak Park School District is required to obtain certification twice a year, signed by the employee or supervisor official having first hand knowledge of the work performed by the employee.

Condition

Oak Park School District did not obtain semiannual certifications signed by the employee or supervisory official for employees charged solely to the IDEA federal program.

Questioned Costs

None

Context

The District had other evidence/documentation supporting that the service was provided by the employees.

Effect

No actual errors were detected during our testing.

Cause of Condition

Signed certifications are required as part of the documentation of services provided by employees charged solely to one program.

Recommendation

We recommend the District obtain employee certification for employees who work solely on federally funded activities at least twice during the year. These certifications should be signed by the employee or supervisor having first hand knowledge of the work performed by the employee.

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

Finding 2004-1 Material weakness

Condition

The School District failed to reconcile its bank account activity in a timely fashion.

Recommendation

The timely reconciliation of bank accounts is an important step in safeguarding School District assets.

Current Status

The recommendation was not adopted and the condition is a finding in the current year.

Finding 2004-2 Reportable condition

Condition

The payroll system does not contain the proper segregation of duties related to initiating, recording, processing, and reviewing transactions.

Recommendation

Part of an adequate internal control would include segregation of duties of the above-mentioned duties.

Current Status

The recommendation was not adopted and the condition is a finding in the current year.

**OAK PARK SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
NOVEMBER 14, 2005
CONTACT PERSON: MARIA BOLEN
OVERSIGHT AGENCY: U.S. DEPARTMENT OF EDUCATION**

Oak Park School District respectfully submits the following corrective action plan for the year ended June 30, 2005.

Auditor: Maner, Costerisan & Ellis, P.C.
544 Cherbourg Drive, Suite 200
Lansing, Michigan 48917-5010

Audit Period: Year ended June 30, 2005

The findings from the June 30, 2005 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Finding – Financial statement audit

Reportable condition considered a material weakness 2005-01.

Recommendation: The District should complete bank reconciliations in a timely manner.

Action to be taken: We concur with the recommendation. We have recently hired a new Executive Director of Business and Finance and are currently in the process of reorganizing the accounting department to ensure that the bank reconciliations are prepared in a timely manner.

Finding – Financial statement audit

Reportable condition 2005-02.

Recommendation: All major balance sheet, revenue and expenditure accounts should be reviewed and adjusted in a timely manner monthly.

Action to be taken: We concur with the recommendation. We have recently hired a new Executive Director of Business and Finance and are currently in the process of reorganizing the accounting department to ensure all significant accounts are reviewed and adjusted when necessary and in a timely manner.

**OAK PARK SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
NOVEMBER 14, 2005
CONTACT PERSON: MARIA BOLEN
OVERSIGHT AGENCY: U.S. DEPARTMENT OF EDUCATION**

Finding – Financial statement audit

Reportable condition 2005-03.

Recommendation: Part of an adequate internal control would include segregation of duties in the payroll system.

Action to be taken: We concur with the recommendation. We have recently hired a new Executive Director of Business and Finance and are currently in the process of reorganizing the accounting department to ensure that adequate segregation of duties are in place.

Finding – Federal award audit

Noncompliance 2005-04

Recommendation: The District should obtain employee certifications for employees who work solely on federally funded activities at least twice during the year. These certifications should be signed by the employee or supervisor having first hand knowledge of the work performed by the employee.

Action to be taken: The School District has revised its procedures and has included a review of all employees charged solely to a federal program in order to obtain the required semi-annual certifications.



Lamonte T. Lator
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Jeffrey C. Stevens
Linda I. Schirmer
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David M. Raack
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

November 14, 2005

To the Board of Education
Oak Park School District
Oak Park, Michigan

In planning and performing our audit of the financial statements of the Oak Park School District for the year ended June 30, 2005, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated November 14, 2005, on the financial statements of the Oak Park School District. We have also issued a memorandum to the Executive Director of Business and Finance with specific accounting and system issues.

Review of Procedures Within the Accounting Department

With the pending changes of staffing within the accounting department, the District has the opportunity to review the accounting system and the assignment of duties within the department. When reassigning the duties, the District must weigh the benefits of improved workflow with the continued proper segregation of duties needed to maintain adequate internal controls. Specific duties assigned must include the timely preparation of bank reconciliations and periodic reviews and reconciliations of other significant asset, liability, revenue and expenditure accounts in the general ledger.

To the Board of Education
Oak Park School District
Oak Park, Michigan

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November 14, 2005

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. This report is intended solely for the information and use of the Oak Park School District, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Mamie Costenusan, E. Ellis, P.C.



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November 14, 2005

To the Board of Education
Oak Park School District
Oak Park, Michigan

We have audited the financial statements of the Oak Park School District for the year ended June 30, 2005, and have issued our report thereon dated November 14, 2005. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated September 15, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting standards generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the Oak Park School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Oak Park School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Oak Park School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the Oak Park School District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Oak Park School District's compliance with those requirements.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Oak Park School District are described in Note 1 to the financial statements. We noted no transactions entered into by the Oak Park School District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the estimated liability for compensated absences and estimated fixed asset lives for depreciation.

Management's estimate of the liability of the payout for employee compensated absences upon their retirement is based on expected payout; the balance reported was \$1,050,804. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain amounts included as capital assets have been estimated. Certain allocations on the statement of activities allocating operating grants between instruction and support services have been used in preparing this statement.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Oak Park School District's financial reporting process (that is, cause future financial statements to be materially misstated). During the current audit, numerous adjustment were proposed. The management of the District has reviewed and approved these adjustments

To the Board of Education
Oak Park School District
Oak Park, Michigan

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November 14, 2005

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants. However, we did replace previously appointed auditors for the 2005 audit.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Oak Park School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. Difficulties Encountered in Performing the Audit

The District experienced significant employee turnover in key areas. As a result, the District contracted with an outside accounting firm to close-out 2005 and prepare information for the annual audit. Additional, as described above, numerous adjustments were proposed as a result of our audit procedures.

This information is intended solely for the use of the board of education, management and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service and would be happy to discuss the foregoing items at your convenience.

Very truly yours,

A handwritten signature in black ink, reading "Mamey Costeniser, E. Ellis, P.C." The signature is written in a cursive, flowing style.